

1872, 6167 miles ; and in 1873, after the panic had broken,, 3948 miles.¹ The United States did not stand alone in railway expansion. In Russia, a system of 12,000 miles of railway had been almost entirely created since 1868; in Austria, eight years had witnessed an increase from 2200 to 6000 miles ; and in South America, nearly \$200,000,000 of English capital had been borrowed, mostly for railway enterprises.² The result of this network of new lines was the opening of great producing areas, which laid clown their harvests in ^Liverpool and Hamburg at prices which crushed competition, forced down the prices of English and German agricultural lands, and threatened the earnings of the laborer. The great war indemnity paid by France to Germany accumulated such a surplus of loanable capital in the latter country that new manufacturing industries sprung up all over the Empire, which soon outran the demands of domestic consumption, and the agricultural population flocked rapidly from the country to the cities. In Prussia alone 687 new joint stock companies were founded between January i, 1872, and July i, 1873, with an aggregate capital of \$481,045,000. The construction of the Suez Canal was completed in 1869, destroying the value of much pre-existing shipping, and the development of railway building gave extraordinary activity to mining, forced up the prices of iron and resulted in the establishment of many new foundries in Great Britain and the United States. To these causes of the loss and absorption of capital had to be added, during the period of liquidation, the effect of bad crops in Great Britain and the destruction of vineyards in France by the ravages of the phylloxera, to the value of \$2,000,000,000.® The world had gained greatly in productive power during the two decades ending in 1873, but the gain was not sufficient to offset the combined operation of all these causes of waste and these transformations of old conditions. The United States, revelling in the fool's paradise of forced legal tender paper currency, was subjected to several severe heats.

¹ Gflbart, IL, 353-

² GifFen, I., 113-14.

³ Wells, 23.